

THE DIRECTOR OF  
CENTRAL INTELLIGENCE

ational Intelligence Council

22 MAY 1985

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Spaeth is being touted  
as a future Chancellor. See  
paragraph 4 in particular.

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2. (U) SPAETH SPECIFICALLY POINTED TO ECONOMIC PROGRESS BEING MADE IN BADEN-WUERTTEMBERG, NOTING THAT PRIVATIZATION OF INDUSTRIES IS ADVANCING IN THAT REGION AHEAD OF ALL OF GERMANY. NOTING THE CRITICAL IMPORTANCE OF TELECOMMUNICATIONS TO THE HEALTH OF THE ECONOMY AS A WHOLE, SPAETH POINTED TO THE RAPID GROWTH OF TELECOMMUNICATION INDUSTRIES IN BADEN-WUERTTEMBERG.

3. (U) SPAETH MAINTAINED THAT THE GOVERNMENT PLAYS AN IMPORTANT ROLE IN FACILITATING ECONOMIC GROWTH, BUT WARNED AGAINST OVER EXTENSION OF THE BUREAUCRACY. CALLING FOR THE NEED FOR "POLITICAL ORDER," SPAETH POINTED TO THE NEED TO REFORM A SOCIAL WELFARE SYSTEM WHICH CAN NO LONGER BE FINANCIALLY SUSTAINED. ARGUING THAT THE OVER EXTENSION OF GOVERNMENT SPENDING CANNOT CONTINUE, SPAETH ADVOCATED THE IMPLEMENTATION OF A TAX STRUCTURE ORIENTED TOWARD A

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TAGS: PGOV, ECON, GE

SUBJECT: MINISTER PRESIDENT OF BADEN-WUERTTEMBERG LOTHAR  
 - SPAETH ADVOCATES STRUCTURAL REFORM OF THE FRG  
 - ECONOMY BEFORE THE GERMAN CHAMBER OF COMMERCE  
 - (IHK) IN FRANKFURT

1. (LOU) SUMMARY: ON MAY 14, 1985, MINISTER PRESIDENT SPAETH, IN A FOLKSY SPEECH BEFORE THE GERMAN CHAMBER OF COMMERCE, EMPHASIZED THE NEED FOR THE FRG TO PROMOTE STRUCTURAL CHANGE IN THE GERMAN ECONOMY IN ORDER TO COMPETE EFFECTIVELY IN HIGH TECHNOLOGY INDUSTRIES. CITING BADEN-WUERTTEMBERG AS A REGION WHERE SUCH EFFORTS ARE BEING INSTITUTED UNDER HIS LEADERSHIP, SPAETH STRESSED THE IMPORTANCE OF FURTHERING MARKET PRINCIPLES IN THE FRG THROUGH THE ADOPTION OF NEW GOVERNMENT TAX POLICIES. SPAETH MAINTAINED THAT A MORE VIBRANT GERMAN ECONOMY ORIENTED TOWARD HIGH TECHNOLOGY INDUSTRIES CAN BE ACHIEVED BOTH THROUGH GOVERNMENT POLICIES AS WELL AS ECONOMIC RESTRUCTURE. SPAETH RECEIVED A VERY ENTHUSIASTIC RESPONSE FROM A NORMALLY SUBDUED AUDIENCE OF BUSINESSMEN. END SUMMARY.

2. (U) SPAETH SPECIFICALLY POINTED TO ECONOMIC PROGRESS BEING MADE IN BADEN-WUERTTEMBERG, NOTING THAT PRIVATIZATION OF INDUSTRIES IS ADVANCING IN THAT REGION AHEAD OF ALL OF GERMANY. NOTING THE CRITICAL IMPORTANCE OF TELECOMMUNICATIONS TO THE HEALTH OF THE ECONOMY AS A WHOLE, SPAETH POINTED TO THE RAPID GROWTH OF TELECOMMUNICATION INDUSTRIES IN BADEN-WUERTTEMBERG.

3. (U) SPAETH MAINTAINED THAT THE GOVERNMENT PLAYS AN IMPORTANT ROLE IN FACILITATING ECONOMIC GROWTH, BUT WARNED AGAINST OVER EXTENSION OF THE BUREAUCRACY. CALLING FOR THE NEED FOR "POLITICAL ORDER," SPAETH POINTED TO THE NEED TO REFORM A SOCIAL WELFARE SYSTEM WHICH CAN NO LONGER BE FINANCIALLY SUSTAINED. ARGUING THAT THE OVER EXTENSION OF GOVERNMENT SPENDING CANNOT CONTINUE, SPAETH ADVOCATED THE IMPLEMENTATION OF A TAX STRUCTURE ORIENTED TOWARD A

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POST INDUSTRIAL SOCIETY. THE MINISTER PRESIDENT EMPHASIZED THAT REDUCTION OF WAGES IS NO PANACEA, BUT RATHER PROPOSED MODIFICATION OF A TAX STRUCTURE WHICH ENCOURAGES MORE RAPID DEPRECIATION OF OUTMODED EQUIPMENT. SPAETH ALSO STRESSED THE NECESSITY TO REDUCE GOVERNMENT SUBSIDIES TO UNCOMPETITIVE INDUSTRIES. UNLESS THIS IS FORTHCOMING, HE WARNED THAT INVESTMENT FUNDS WILL CONTINUE TO BE DIVERTED TO THE U.S., ALLOWING THE U.S. TO REAP THE BENEFITS OF AN EXPANDING HIGH TECH SECTOR. SPAETH RECEIVED A PARTICULARLY STRONG ROUND OF APPLAUSE FROM THE AUDIENCE ON THIS POINT.

4. (U) THE MINISTER PRESIDENT ALSO SPOKE OF THE NEED TO INCREASE R&D EFFORTS (PARTICULARLY BASIC RESEARCH). SPAETH SPECIFICALLY SINGLED OUT THE SDI-INITIATIVE CLAIMING THAT EUROPE'S HESITATION TO PARTICIPATE IS TYPICAL OF A "PHENOMENON OF HESITATION," AND WARNED THAT LACK OF EUROPEAN PARTICIPATION IN U.S. DEVELOPMENT OF FUTURE TECHNOLOGY COULD BE "LIFE THREATENING." ALONG THIS SAME THEME OF EXPANDING RESEARCH EFFORTS, SPAETH NOTED THAT MIDDLE-SIZED ENTERPRISES (IN PARTICULAR) POSSESS UNTAPPED CREATIVITY WHICH CAN BE ENCOURAGED THROUGH THE DEVELOPMENT OF AN "ADVISORY NETWORK" FOR SUCH ENTERPRISES. THESE MIDDLE-SIZE FIRMS ALSO NEED A HELPING HAND IN PROMOTING HIGH-TECH EXPORTS, WHICH, ACCORDING TO SPAETH, CAN BE ACHIEVED THROUGH THE DEVELOPMENT OF STATE-FINANCED EXPORT TRADING COMPANIES.

5. (LOU) COMMENT: SPAETH RECEIVED AN EXTREMELY FAVORABLE RESPONSE FROM AN AUDIENCE WHICH IS USUALLY VERY SUBDUED. SPAETH CONVINCINGLY AND SKILLFULLY CONVEYED A "NATIONALISTIC" MESSAGE WHICH THE AUDIENCE IS PAINFULLY AWARE OF: UNLESS GERMANY GEARS UP NOW, THE U.S. ADVANTAGE IN HIGH TECHNOLOGY INDUSTRIES MAY BECOME OVERWHELMING.

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END OF MESSAGE

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